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Date and time 06/28/94 19:05:32

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From: Betty Cho
PMI Public Affairs (ext. 9221)
Subject: GRANADA TV -- Draft Answers

Tim:

I understand that you are working on some of these answers. For your information, following is a draft response we have prepared to send to Granada TV. Please feel free to change/edit as you see fit. I will send this to you in hard copy over the fax separately.

Regards and thanks for your cooperation on this. BC

Dear Mr. Leigh:

Thank you for your interest in Philip Morris. While we will be unable to provide you with an on-camera interview for your show, we do thank you for the opportunity to be able to respond to you in writing.

Regarding the questions you sent, we hope the following information will be helpful to your program:

1. What exactly has Lady Thatcher been paid to do; how much has she been paid; and when and where has she done it? Has she been worth the money?

A: (PM CORPORATE to answer)

2. Why does Philip Morris support trade sanction threats against Asian countries that seek to ban cigarette advertising?

A: First of all, cigarette advertising is not the cause of smoking, and this is apparent from consumption data, court findings and scientific literature. The presence or absence of cigarette advertising does not affect overall cigarette consumption, although it does affect the competitive success of individual cigarette brands. It is important to know that countries which ban cigarette advertising do not generally have lower levels of cigarette consumption than countries which permit cigarette advertising. For example, for more than a generation, communist East Germany permitted no cigarette advertising, but had the same per capita cigarette consumption as West Germany, where the population saw cigarette advertising for their entire lives. Similarly in Asia, Singapore, with a longstanding cigarette advertising ban, has the same per capita cigarette consumption as Hong Kong, where cigarette advertising has always been very prevalent.

Although Philip Morris is not requesting or supporting trade sanction threats against Asian countries that seek to ban cigarette advertising, we feel that cigarette advertising bans are not only ineffective in reducing smoking, but they also distort competition by removing from manufacturers the ability to communicate with smokers about brand characteristics.

Philip Morris ascribes to the United States Cigarette Exporters Association (USCEA)'s position regarding U.S. exports of cigarettes. In a submission to the U.S. Trade Representative, the USCEA asked that: " . . . all products exported from the United States should be treated fairly in accordance with international trading rules established under multilateral and bilateral agreements, and that reasonable market access should be provided for American products on a reciprocal basis and consistent with United States trade laws..Since it is both lawful and customary to sell and smoke tobacco products in every country in the world, American tobacco products are entitled to fair and national treatment by all of the trading partners of the United States.

For centuries, tobacco has been grown in all parts of the word, and people were smoking tobacco in Europe, Japan, China, Korea, India, the Philippines, Africa, the Middle East, South and Central America and elsewhere years before John Rolfe began the first North American tobacco plantation at Jamestown in 1612. There are hundreds of millions of smokers outside the United States, and the trade issue is whether those smokers will have the liberty to choose an American product or be restricted to smoking only those made by a protected (and in most cases government owned) local industry.

3. Why does Philip Morris seek to circumvent TV and poster controls on Far East cigarette advertising, by using the Marlboro name on promotion of clothes shops and pop groups aimed at teenagers?

A. Philip Morris abides by all local laws in its marketing activities. Moreover, Philip Morris is committed to marketing its cigarettes responsibly. Philip Morris does not market its cigarettes to minors. It firmly believes that cigarettes should be consumed only by adult smokers. Accordingly, all advertising and promotions should be directed towards adult smokers, and not towards minors.

4. Why does Philip Morris seek to buy entire cigarette industries in countries such as Lithuania and Kazakhstan, and expand their production?

PM has acquired a majority shareholding in cigarette companies in both Lithuania and Kazakhstan. In both cases, the Governments of these countries decided to privatize these companies and sought international investment through public tenders. PM bid (as did UK tobacco companies) and was successful. Both Governments used independent international advisors to examine the bids and oversee the tenders.

Production will be expanded because neither company has been able to meet existing local demand for cigarettes. It would appear that both Governments decided that it is in the economic interests of their countries to have successful local industries rather than rely on imports to meet shortfalls in supply. This trend towards privatization is common to most former communist countries and extends to a wide range of products and services.

Finally, PM is interested in this area because of the company's position as the world's leading cigarette company and our commitment to growing our global business. Smokers in these countries wish to purchase high quality cigarettes and to have a choice of brands not previously available.

E N D O F N O T E